



## **Shared Appreciation Agreements**

### **Overview**

Farm Service Agency (FSA) farm loan borrowers who apply for loan servicing and qualify to have their debt written down must sign a shared appreciation agreement (SAA). The use of SAAs is authorized under Section 353(e) of the Consolidated Farm and Rural Development Act.

The agreement allows the Government to recapture all or a portion of the amount written down if the real estate security increases in value during the term of the SSA. Recapture cannot exceed the amount of the write-down. Borrowers who received a write-down signed an SAA that provided that they would pay recapture, if any, according to FSA regulation 7 CFR 1951. 914. Recapture is calculated 5 months before the expiration date of the SAA, or sooner if one of the following occurs:

- the property is conveyed, with the exception of transferring title to the spouse upon the death of a borrower,
- the FSA loans are repaid,
- the borrower or spouse ceases farming, or
- the account is accelerated.
- Recapture Amounts

Recapture due under the SAA is 75 percent of the appreciation when one of the above events occurs

within 4 years or less of receiving the write-down, and 50 percent of the appreciation after 4 years. If the amount of write-down is less than the appreciation calculated, the amount due is the write-down amount.

### **Appraisals**

Appreciation of the property's value is determined by appraisals, with deductions for certain capital improvements made during the term of the agreement. The borrower may appeal the Agency appraisal by obtaining a technical appraisal review of the Agency's appraisal. The issue of the appeal will be the compliance of the Agency appraisal with the Uniform Standards of Professional Appraisal Practice. Once appreciation has been calculated, the borrower is required to pay the amount of recapture due.

### **What if I Cannot Pay the Recapture Amount?**

In some instances, borrowers will be unable to pay the recapture amount or obtain financing to do so. In such cases, provided that the borrower can show a positive cash flow, the recapture can be established as a loan and be repaid over a period of up to 25 years at a special low interest rate.

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